

Navigating Change:

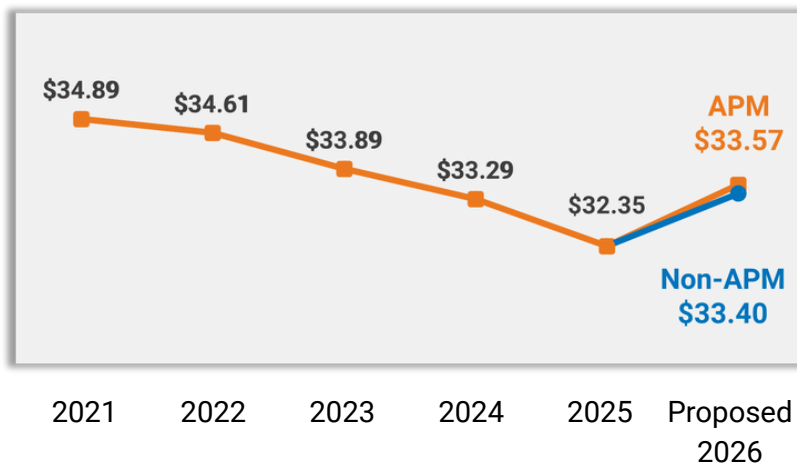
Preparing for the CMS 2026 Medicare Physician Fee Schedule Changes and TEAM Model



The CMS 2026 Medicare Physician Fee Schedule (MPFS) and the new Transforming Episode Accountability Model (TEAM) mark a pivotal shift in reimbursement

With the first MPFS rate increase in six years and the introduction of an ongoing efficiency adjustment, organizations must prepare for financial and operational impacts. Strategic compensation planning will be key to navigating these changes and sustaining performance in an evolving payment landscape.

Medicare PFS Conversion Factor



The increase accounts for the required 2.5% adjustment detailed in the Big Beautiful Bill Act and additional adjustments to account for changes to RVU values.



CMS has historically relied on the **AMA Relative Value Scale Update Committee** (AMA RUC) to estimate practitioner time, work intensity, and practice expense



Research suggests **time assumptions** for many PFS services are inflated



To reflect medical practice changes, CMS will apply an **efficiency adjustment to non-time-based services**, cutting work RVUs by 2.5% in 2026 and every 3 years thereafter, with no stated floor



Specialties with high-volume, short-duration procedures are likely to be hit hardest.

These may include: Orthopedics (injections, arthroscopy), urology (cystoscopies, lithotripsy), gastroenterology (colonoscopies), otolaryngology (ear tubes, scopes), pain management (epidurals, ablations), radiology (CT, MRI, ultrasounds), ophthalmology (cataracts, lasers), and dermatology (biopsies, excisions)

Source: Calendar Year 2026 Medicare Physician Fee Schedule Final Rule (CMS-1832-F), Centers for Medicare & Medicaid Services. <https://www.cms.gov/newsroom/fact-sheets/calendar-year-cy-2026-medicare-physician-fee-schedule-pfs-proposed-rule-cms-1832-p>



Efficiency Adjustment Impact Analysis

Specialties with limited E&M activity are expected to experience the greatest impact from CMS' efficiency adjustments. Modeled wRVU reductions could drive productivity and reimbursement shifts, especially for high-volume, short-duration procedural specialties. While the conversion factor increase offers some relief, the broader implications could heighten financial complexity and pressure on productivity-based compensation models.

Potential wRVU Impact by Specialty¹ (2025-2026)

Specialties providing predominantly procedural services will be impacted most:



Radiology Services

(e.g. Diagnostic, Neurointerventional, Interventional)



Pathology Services

(e.g. Anatomic and Clinical, Derm Pathology)



Surgical Services

(e.g. Derm MOHS, Orthopedics, ENT, OB/Gyn)

Specialty Category	Specialty Name	% wRVU Change	wRVU Change
Hospital-Based	Radiology – Neurointerventional	-2.50%	(296)
	Radiology – Diagnostic	-2.40%	(260)
	Radiology – Interventional	-2.40%	(164)
	Pathology – Dermatopathology	-2.40%	(310)
	Pathology – Anatomic and Clinical	-2.50%	(188)
Surgical	Dermatology Mohs Surgery	-2.30%	(299)
	Orthopedic Surgery – General	-1.70%	(160)
	Otolaryngology – General	-1.20%	(89)
Medical	Cardiology – Electrophysiology	-1.50%	(167)
	Cardiology – Invasive – Interventional	-1.30%	(139)
	Cardiology – General	-0.90%	(73)
	Neurology	-0.60%	(28)
	Psychiatry – General	0.00%	0
Primary Care	Internal Medicine	-0.10%	(5)
	Family Medicine	0.00%	0

¹This analysis is isolated to the efficiency adjustment only. There may be other wRVU adjustments for individual services that are not reflected in this analysis.



TEAM Model

Beginning January 1, 2026, the new TEAM Model will expand procedure bundle accountability to over 700 acute care hospitals. The program ties quality and cost performance to five high-volume surgical episodes, reinforcing the shift toward value-based care and shared financial responsibility.

TEAM Program Overview

Holds acute care hospitals accountable for **quality and spending** during inpatient/ outpatient encounters and the 30-day post-procedure period

Over 700 acute care hospitals in designated Core-Based Statistical Areas (CBSAs) **required to participate**¹

Bundled payment covers **full episode**, including physician services

Financial risk/reward: penalties if costs exceed the CMS target; shared savings if below

Physicians **paid via Medicare physician fee schedule**; hospitals receive first shared savings distribution in **mid-2027**

Focuses on 5 costly, high-volume surgical episodes:



Lower joint replacement



Hip fracture treatment



Spinal fusion



Coronary artery bypass graft



Major bowel procedures

Sources: *Transforming Episode Accountability Model (TEAM)*, Centers for Medicare & Medicaid Services. <https://www.cms.gov/priorities/innovation/innovation-models/team-model>.

¹ TEAM Participant List: <https://www.cms.gov/team-model-participant-list>

Looking to align your compensation strategies with evolving payment models?

SullivanCotter can help.



Contact us!